

Big Rapids Public Schools

BIG RAPIDS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

BIG RAPIDS PUBLIC SCHOOLS

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**BIG RAPIDS PUBLIC SCHOOLS
ADMINISTRATIVE PERSONNEL
YEAR ENDED JUNE 30, 2005**

SCHOOL BOARD MEMBERS

Michael Wyman	President
Suzette Compton	Vice President
Peter Peterson	Treasurer
Patrick Klarecki	Secretary
Suzanne Hosking	Trustee
Michael Mekaru	Trustee
Kathy Bouwman	Trustee

SUPERINTENDENT

Dr. Thomas Langdon

ASSISTANT SUPERINTENDENT - BUSINESS

Mark Klumpp

PRINCIPALS

Tim Haist	High School
Barb Borth	Middle School
Deb Tyson	Elementary School
Mort Meier	Elementary School
Tim Buckingham	Elementary School
Lenora Wenver	Early Childhood Center



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INDEPENDENT AUDITORS' REPORT

October 31, 2005

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BIG RAPIDS PUBLIC SCHOOLS**, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Big Rapids Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of June 30, 2005, and the respective changes in financial position, where applicable, thereof and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2005 on our consideration of the Big Rapids Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Big Rapids Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the Big Rapids Public Schools' basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Lohman". The signature is written in dark ink and is centered horizontally on the page.

Management's Discussion and Analysis

As management of Big Rapids Public Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,466,942 (*net assets*). Of this amount, \$1,329,605 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general district programs.
- The District's total net assets increased by \$779,543.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,353,718, a decrease of \$364,541 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,624,623, or 10 percent of total general fund expenditures and transfers out.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements display functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The activities of the District include instruction, supporting services, community services, food services, and athletics.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District fall within the governmental and fiduciary fund type categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government wide financial statements. The fiduciary funds statement of net assets can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-29 of this report.

Other information. The combining and individual fund financial statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. They can be found on pages 30-37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,466,942 at the close of the most recent fiscal year.

District's Net Assets		
	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2005</u>
Current and other assets	\$ 7,164,959	\$ 7,133,358
Capital assets, net	<u>27,232,725</u>	<u>26,664,413</u>
Total assets	<u>34,397,684</u>	<u>33,797,771</u>
Long-term liabilities outstanding	27,130,747	25,376,384
Other liabilities	<u>5,579,538</u>	<u>5,954,445</u>
Total liabilities	<u>32,710,285</u>	<u>31,330,829</u>
Net assets:		
Invested in capital assets, net of related debt	(774,380)	445,555
Restricted	1,000,000	691,782
Unrestricted	<u>1,461,779</u>	<u>1,329,605</u>
Total net assets	<u>\$ 1,687,399</u>	<u>\$ 2,466,942</u>

At the end of the current fiscal year, the District was able to report a positive balance in net assets for the District as a whole.

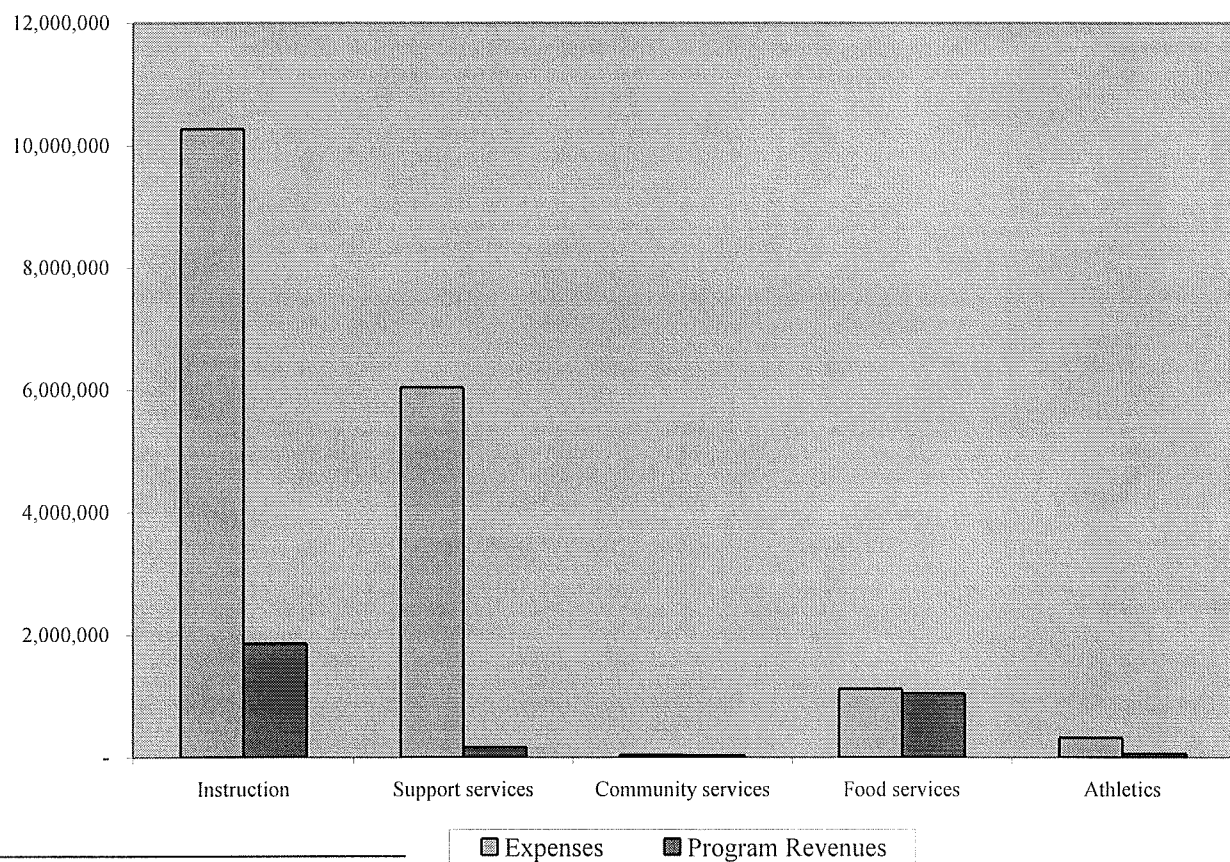
The District's net assets were \$2,466,942 at June 30, 2005. Capital assets, net of related debt totaling \$445,555, compares the original cost, less depreciation of the District's capital assets, to long-term debt used to finance the acquisition of these assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$1,329,605 was unrestricted.

The \$1,329,605 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

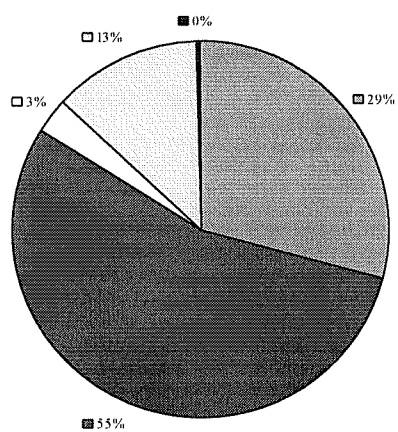
District's Changes in Net Assets

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2005</u>
Revenue:		
Program revenue:		
Charges for services	\$ 632,941	\$ 630,710
Operating grants and contributions	2,674,748	2,531,215
General revenue:		
Property taxes	5,522,626	5,834,674
Grants and contributions not restricted to specific programs	10,934,662	10,807,157
Other	<u>18,998</u>	<u>33,898</u>
Total revenue	<u>19,783,975</u>	<u>19,837,654</u>
Expenses:		
Instruction	9,705,436	10,270,788
Supporting services	5,900,835	6,036,793
Community services	68,559	41,953
Food services	993,396	1,122,114
Athletics	333,282	317,594
Interest on long-term debt	<u>1,391,718</u>	<u>1,268,869</u>
Total expenses	<u>18,393,226</u>	<u>19,058,111</u>
Increase in net assets	1,390,749	779,543
Net assets, beginning of year	<u>296,650</u>	<u>1,687,399</u>
Net assets, end of year	<u>\$ 1,687,399</u>	<u>\$ 2,466,942</u>

Expenses and Program Revenues - Governmental Activities



Revenues by Source - District Activities



Property taxes

Grants and contributions not restricted to specific programs

Charges for services

Operating grants and contributions

Other

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$1,624,623. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 10 percent of total general fund expenditures and transfers out.

The fund balance of the District's general fund decreased by \$17,511 during the current fiscal year. The largest revenue source in this fund is state revenue which includes primarily state aid. Expenditures consist primarily of costs associated with supporting the District's instructional and supporting services operations.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were caused by:

- Larger decline in enrollment than originally expected.
- Decrease in capital outlay purchases.
- Less carryover of grant awards from fiscal year 2004 than expected.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$26,664,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

There were no major capital asset events during the current fiscal year.

District's Capital Assets (net of depreciation) June 30, 2005

Land	\$ 570,602
Buildings and improvements	25,653,490
Furniture and equipment	359,397
Buses and vehicles	<u>80,924</u>
Total	<u>\$26,664,413</u>

Additional information on the District's capital assets can be found in Note 5 on page 25 of this report.

Long-term debt. At the end of the current fiscal year, the District had long-term debt outstanding of \$26,481,419. This includes both bonds, notes and capital leases as well as early retirement and compensated absences.

The District's total debt decreased by \$1,729,377 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 7 on pages 26-28 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2005-06 fiscal year:

- Revenue based on foundation allowance increase of \$175 per pupil.
- Increased capital outlay expenditures for bus purchases and roof replacements.
- Union wages were projected to increase according to negotiated contracts.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business, 21034 15 Mile Road, Big Rapids, Michigan, 49307.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,492,442
Investments	10,831
Receivables:	
Accounts	128,173
Due from other governmental units	2,484,115
Inventories	17,797
Total current assets	<u>7,133,358</u>
Noncurrent assets:	
Land	570,602
Capital assets	32,473,587
Less accumulated depreciation	(6,379,776)
Total noncurrent assets	<u>26,664,413</u>
Total assets	<u>33,797,771</u>
Liabilities	
Current liabilities:	
Accounts payable	34,435
Accrued expenses	1,643,624
Due to other governmental units	3,998
Unearned revenue	267,353
Notes payable	2,900,000
Current portion of compensated absences/early retirement incentive	51,884
Current portion of long-term debt	1,053,151
Total current liabilities	<u>5,954,445</u>
Noncurrent liabilities	
Long term portion of compensated absences/early retirement incentive	210,677
Non-current portion of long-term debt	25,165,707
Total noncurrent liabilities	<u>25,376,384</u>
Total liabilities	<u>31,330,829</u>
Net assets	
Invested in capital assets, net of related debt	445,555
Restricted for debt service	646,599
Restricted for capital projects	45,183
Unrestricted	<u>1,329,605</u>
Total net assets	<u>\$ 2,466,942</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Activities

For the Year Ended June 30, 2005

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 10,270,788	\$ 26,754	\$ 1,836,037	\$ -	\$ (8,407,997)
Supporting services	6,036,793	47,418	121,983	-	(5,867,392)
Community services	41,953	27,103	-	-	(14,850)
Food services	1,122,114	469,638	573,195	-	(79,281)
Athletics	317,594	59,797	-	-	(257,797)
Interest on long-term debt	1,268,869	-	-	-	(1,268,869)
Total governmental activities	\$ 19,058,111	\$ 630,710	\$ 2,531,215	\$ -	(15,896,186)
General revenues:					
Property taxes - operations					3,302,851
Property taxes - debt service					2,531,823
Grants and contributions not restricted to specific programs					10,807,157
Unrestricted investment earnings					33,898
Total general revenues					16,675,729
Change in net assets					779,543
Net assets, beginning of year					1,687,399
Net assets, end of year					\$ 2,466,942

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Balance Sheet Governmental Funds

June 30, 2005

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 3,758,788	\$ 733,654	\$ 4,492,442
Investments	10,831	-	10,831
Due from other governmental units	2,370,383	113,732	2,484,115
Accounts receivable	108,515	19,658	128,173
Inventory	-	17,797	17,797
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 6,248,517</u>	<u>\$ 884,841</u>	<u>\$ 7,133,358</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 4,806	\$ 29,629	\$ 34,435
Accrued expenditures	1,411,362	8,546	1,419,908
Deferred revenue	303,728	117,571	421,299
Due to other governmental units	3,998	-	3,998
Notes payable	2,900,000	-	2,900,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,623,894</u>	<u>155,746</u>	<u>4,779,640</u>
 Fund balances			
Reserved:			
Debt retirement	-	537,835	537,835
Unreserved			
Undesignated special revenue funds	-	191,260	191,260
Undesignated general fund	1,624,623	-	1,624,623
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,624,623</u>	<u>729,095</u>	<u>2,353,718</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 6,248,517</u>	<u>\$ 884,841</u>	<u>\$ 7,133,358</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2005

Fund balances - governmental funds	\$ 2,353,718
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the available criteria for revenue recognition occurs.	
Add - deferred revenue on long-term receivable	153,946
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	33,044,189
Deduct - accumulated depreciation	(6,379,776)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(26,218,858)
Deduct - accrued interest on bonds payable	(223,716)
Deduct - compensated absences and early retirement incentive	<u>(262,561)</u>
Net assets of governmental activities	<u><u>\$ 2,466,942</u></u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2005

	<u>General</u>	<u>Non- Major Funds</u>	<u>Total</u>
Revenue			
Local sources	\$ 3,545,978	\$ 3,080,733	\$ 6,626,711
State sources	11,862,815	38,487	11,901,302
Federal sources	786,417	534,708	1,321,125
	<u>16,195,210</u>	<u>3,653,928</u>	<u>19,849,138</u>
Expenditures			
Current			
Instruction	9,824,773	-	9,824,773
Supporting services	5,890,250	-	5,890,250
Community services	35,730	-	35,730
Food services	-	1,084,777	1,084,777
Athletics	-	305,148	305,148
Capital outlay	21,382	-	21,382
Debt service			
Principal	95,634	1,692,613	1,788,247
Interest	49,257	1,214,115	1,263,372
	<u>15,917,026</u>	<u>4,296,653</u>	<u>20,213,679</u>
Revenue over (under) expenditures	<u>278,184</u>	<u>(642,725)</u>	<u>(364,541)</u>
Other financing sources (uses)			
Transfers in	-	295,695	295,695
Transfers out	(295,695)	-	(295,695)
	<u>(295,695)</u>	<u>295,695</u>	<u>-</u>
Net changes in fund balances	(17,511)	(347,030)	(364,541)
Fund balances, beginning of year	<u>1,642,134</u>	<u>1,076,125</u>	<u>2,718,259</u>
Fund balances, end of year	<u><u>\$ 1,624,623</u></u>	<u><u>\$ 729,095</u></u>	<u><u>\$ 2,353,718</u></u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net changes in fund balances - governmental funds	\$ (364,541)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Long-term receivables are reported as revenue when earned on the statement of activities while the governmental funds report these balances as revenue when the available criteria for revenue recognition occurs.

Deduct - decrease in long-term receivable	(11,484)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	53,969
Deduct - depreciation expense	(622,281)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction in long-term debt on the statement of net assets.

Add - principal payments on long-term liabilities	1,788,247
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(5,497)
Deduct - increase in the accrual for compensated absences and early retirement incentive	(58,870)

Change in net assets of governmental activities	<u>\$ 779,543</u>
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The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended June 30, 2005

	Budget			Variance - Positive (Negative)
	Original	Amended	Actual	
Revenue				
Local sources	\$ 3,446,977	\$ 3,545,052	\$ 3,545,978	\$ 926
State sources	11,920,100	11,800,125	11,862,815	62,690
Federal sources	1,034,998	835,754	786,417	(49,337)
Total revenue	16,402,075	16,180,931	16,195,210	14,279
Expenditures				
Current:				
Instructional	9,667,616	9,597,125	9,824,773	(227,648)
Supporting services	6,084,792	6,043,933	5,890,250	153,683
Community services	62,334	58,989	35,730	23,259
Capital outlay	100,000	24,000	21,382	2,618
Debt service				
Principal	-	95,896	95,634	262
Interest	170,000	50,000	49,257	743
Total expenditures	16,084,742	15,869,943	15,917,026	(47,083)
Revenue over (under) expenditures	317,333	310,988	278,184	(32,804)
Other financing sources (uses)				
Transfers out	(317,333)	(310,988)	(295,695)	15,293
Net changes in fund balance	-	-	(17,511)	(17,511)
Fund balance, beginning of year	1,642,134	1,642,134	1,642,134	-
Fund balance, end of year	<u>\$ 1,642,134</u>	<u>\$ 1,642,134</u>	<u>\$ 1,624,623</u>	<u>\$ (17,511)</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

Statement of Fiduciary Net Assets Agency Funds

June 30, 2005

Assets

Cash and cash equivalents	<u>\$136,766</u>
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Liabilities

Due to student groups	\$133,132
Withholdings payable	<u>3,634</u>
Total liabilities	<u>\$136,766</u>

The accompanying notes are an integral part of these financial statements.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Big Rapids Public Schools (the "District") consistently applied in the preparation of the accompanying financial statements follows.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Big Rapids Public Schools. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the District reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended June 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Property taxes, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *special revenue funds* account for assets which are restricted for specific purposes.

The *debt service funds* account for the accumulation of resources which are restricted for the payment of principal and interest on bonds.

The *fiduciary funds* account for resources held for student activities and payroll taxes and benefits.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data as reflected in the financial statements.

Budgets are adopted for general and special revenue funds as required by state law and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The District considers the debt service schedule to be an adequate budgetary control for debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2005. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget of the department heads of the District. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures at the functional level must be approved by the District Board.

Appropriations lapse at year-end and amounts may be reappropriated for expenditures to be incurred in the following fiscal year.

Property Taxes

Property taxes are recognized as revenue in the General and Debt Service funds on a levy year basis. The 2004 levy amounts are recognized as current property tax revenue to the extent that they are collected during the year or within sixty days after year end. Collections of delinquent taxes in subsequent years are recognized as property tax revenues. Property taxes are levied December 1 on the assessed valuation of property located in the District as of the preceding December 31, the lien date. Assessed values are established annually by the various governmental units within the District and are equalized by the State of Michigan.

Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments

The District investments consist of money market mutual funds with local financial institutions. Investments are stated at fair value.

Michigan law authorizes the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Inventories

Inventories consist of office and food service supplies. Inventories are stated at cost (first-in, first-out). United States Department of Agriculture Commodities inventory received by the Food Service Fund is recorded as inventory and liabilities until used.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-20
Buses and other vehicles	5-10

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for employee health insurances for the months of July and August. The District pays these insurances for this period as a part of the compensation for services rendered in the preceding school year.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Vested Termination Benefits

Most employees of the District are compensated for leaves of absences chargeable to sick days. Each school year, the covered employees are credited with a number of sick days and any unused portion of such allowances can accumulate. Upon retirement, those employees who meet certain age and years of service requirements will be paid for a portion of sick days accumulated to a maximum number of days and at a rate determined by their job category.

The liability for the sick leave has been computed using the vesting method in accordance with Governmental Accounting Standards Board Statement No. 16, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. This liability is shown on the statement of net assets.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Durant Related Issues

Under Public Act 142 of 1997, enacted in November 1997 as part of the *Durant* Resolution Package, school districts and intermediate school districts were offered settlement amounts to settle, compromise, and resolve, in their entirety, any potential claims they may have asserted for violations of section 29, Article IX, of the constitution through September 30, 1997, which were similar to the claims asserted by the plaintiffs in the *Durant v. State of Michigan* case. To be eligible to receive its offer of settlement amount, the non-plaintiff district needed to adopt and submit to the State Treasurer a waiver resolution, in the form set forth in Public Act 142 of 1997, waiving any potential claims through September 30, 1997.

Settlement amounts were based on the formula used to determine amounts owed to *Durant* plaintiffs. Half the settlement amount was to be received in ten annual payments; *the other half was received in a lump sum by participating in a special bonding program offered through the Michigan Municipal Bond Authority (MMBA)* or in fifteen annual payments. Big Rapids Public Schools elected to participate in the special bonding program.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Districts electing to bond under the Durant settlement received a lump sum amount (bond proceeds) on November 24, 1998. This created a liability which will be reduced each year with an annual state appropriation made for debt service on the bonds. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the district is under no obligation for payment. Additionally, the bond documentation states specifically that the Bonds shall not be in any way a debt or liability of the State of Michigan. This liability and a related asset has been booked on the statement of net assets. Annual appropriations from the State are recorded in the Durant Debt Service Fund along with the payment of the interest and principal of the bonds.

The original bond proceeds were recorded in the Durant Construction Fund and expended for purposes specified in Section 1351a of the Revised School Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the District.

2. STATE OF MICHIGAN SCHOOL AID

The District reports State of Michigan school aid in the fiscal year in which the District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided 73% of general fund revenue to the District during the 2005 fiscal year.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2005 the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Instructional	\$9,620,431	\$9,848,079	\$227,648
Food Service Fund			
Supporting services	1,034,500	1,084,777	50,277

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	Governmental Activities	Fiduciary Activities	Total
Cash and cash equivalents	\$4,492,442	\$136,766	\$4,629,208
Investments	10,831	-	10,831
Total cash and cash equivalents and investments	\$4,503,273	\$136,766	\$4,640,039

These deposits are in three (3) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following investments:

Investment	Maturity	Fair Value	Rating
Mutual Fund			
MILAF Plus – Cash Management Funds	N/A	\$10,831	AAAm

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of District's specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year end, \$4,986,702 of the District's bank balance of \$5,186,702 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above mutual fund investments the District's custodial credit risk exposure can not be determined because the mutual funds do not consist of specifically identifiable securities.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

A summary of capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2005</u>
Governmental activities				
Nondepreciable capital assets:				
Land	\$ 570,602	\$ -	\$ -	\$ 570,602
Total nondepreciable capital assets	570,602	-	-	570,602
Depreciable capital assets:				
Buildings and improvements	30,632,467	19,883	-	30,652,350
Furniture and equipment	716,204	21,256	-	737,460
Buses and vehicles	1,070,947	12,830	-	1,083,777
Total depreciable capital assets	32,419,618	53,969	-	32,473,587
Less accumulated depreciation:				
Buildings and improvements	(4,549,944)	(448,916)	-	(4,998,860)
Furniture and equipment	(276,694)	(101,369)	-	(378,063)
Buses and vehicles	(930,857)	(71,996)	-	(1,002,853)
Total accumulated depreciation	(5,757,495)	(622,281)	-	(6,379,776)
Total capital assets being depreciated, net	26,662,123	(568,312)	-	26,093,811
Governmental activities capital assets, net	<u>\$27,232,725</u>	<u>\$(568,312)</u>	<u>\$ -</u>	<u>\$26,664,413</u>

For governmental activities, depreciation expense was charged to functions as follows:

Instruction	\$354,700
Supporting services	211,575
Community services	6,223
Food service	37,337
Athletics	12,446
Governmental activities depreciation expense	<u>\$622,281</u>

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances primarily reflect balances utilized to facilitate appropriate cash flow for operations. There were no interfund balances outstanding at year end.

Transfers primarily reflect subsidies allocated from the General Fund.

	<u>In</u>	<u>Out</u>
Interfund Transfers		
General Fund	\$ -	\$295,695
Nonmajor Funds:		
Athletics Special Revenue	237,000	-
2000 Energy Debt Service	58,695	-
Total	<u>\$295,695</u>	<u>\$295,695</u>

7. LONG-TERM DEBT

The following is a summary of debt transactions of the District for the year ended June 30, 2005:

	Short-term Debt				
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	
School bond/notes maturing (8/19/05) with an interest rate of 1.57% (operating cash flow)	\$2,500,000	\$2,900,000	\$(2,500,000)	\$2,900,000	
	Long-term Debt				
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
2000 Energy Bonds due in amounts ranging from \$40,000 through \$55,000 plus interest at 4.75 - 5.45% through 2007	\$ 160,000	\$ -	\$ (50,000)	\$ 110,000	\$ 55,000
1995 Refunding Bonds due in amounts ranging from \$725,000 through \$750,000 plus interest at 7.30 – 7.50% through 2005 (unlimited tax, general obligation)	750,000	-	(750,000)	-	-
1999 Refunding Bonds due in amounts ranging from \$105,000 through \$1,100,000 plus interest at 3.15 - 4.75% through 2025 (unlimited tax, general obligation)	22,220,000	-	(125,000)	22,095,000	895,000
School Bond Loan Fund with variable interest rates	4,434,143	-	(767,613)	3,666,530	-

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

	Long-term Debt				
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
1998 School Improvement Bonds (Durant Settlement) due in amounts ranging from \$6,641 through \$15,438 plus interest at 4.76% through 2013	\$ 96,220	\$ -	\$ -	\$ 96,220	\$ 7,290
2000 Installment Purchase agreement due in amounts ranging from \$55,000 through \$59,889 plus interest at 5.74% through 2007	165,000	-	(55,000)	110,000	55,000
2003 Installment purchase agreement due in amounts ranging from \$14,735 through \$15,670 plus interest at 3.09% through 2008	76,000	-	(14,738)	61,262	14,965
2003 Capital Lease Obligation due in monthly installments of \$2,158 through August 2008	105,742	-	(25,896)	79,846	25,896
Early retirement incentive	42,000	70,000	(62,000)	50,000	20,000
Compensated absences	161,691	50,870	-	212,561	31,884
Total Long-term Debt	\$28,210,796	\$120,870	\$(1,850,247)	\$26,481,419	\$1,105,035

The school bond loan fund payable represents notes payable to the State of Michigan for loans made to the District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest ranging from 2.625 percent to 3.25 percent from July 1, 2004 to June 30, 2005 has been assessed for the year. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7.00 mills. The District is required to levy 7.00 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of State equalized value of property in the District, no provision for repayment has been included in the following amortization schedule.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

Following is a summary of future principal maturities and interest requirements on outstanding debt excluding the School Bond Loan Fund, early retirement incentive and compensated absences:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,053,151	\$ 1,034,789
2007	1,098,728	992,468
2008	1,034,327	947,409
2009	1,051,210	906,163
2010	1,073,781	863,496
2011 – 2015	5,836,131	3,589,517
2016 – 2020	5,760,000	2,187,190
2021 – 2025	5,645,000	801,564
Total	\$ 22,552,328	\$11,322,596

Compensated absences and the early retirement incentives are expected to be liquidated by the general fund.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the District carried commercial insurance for claims. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

9. RETIREMENT PLAN

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

BIG RAPIDS PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

The current rate is 14.87% of covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2005, 2004, and 2003 were \$1,355,124, \$1,214,863, and \$1,270,964, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1998 with the vested deferred benefits, are eligible for partially State of Michigan paid health benefit coverage (no payment if less than 21 years of service).

10. CONTINGENCIES

Federal Grant Programs

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

11. SUBSEQUENT EVENT

On August 19, 2005, the District borrowed \$2,800,000 in a State Aid Anticipation Note. The note bears interest at 2.92 percent and is due August 18, 2006.

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BIG RAPIDS PUBLIC SCHOOLS

General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2005

	Budget		Actual	Variance - Positive (Negative)
	Original	Amended		
Revenue				
Local sources:				
Property taxes	\$ 3,292,160	\$ 3,292,160	\$ 3,302,851	\$ 10,691
Tuition	48,000	92,075	53,857	(38,218)
Earnings on investments	30,000	30,000	33,898	3,898
Miscellaneous	76,817	130,817	155,372	24,555
Total local sources	3,446,977	3,545,052	3,545,978	926
State sources:				
State Aid - unrestricted	10,910,479	10,870,904	10,906,414	35,510
At risk	519,119	519,119	524,795	5,676
Special education	371,702	291,302	312,806	21,504
Preschool grant	118,800	118,800	118,800	-
Total state sources	11,920,100	11,800,125	11,862,815	62,690
Federal sources:				
Federal aid received through the state -				
E.C.I.A. Title I - Regular	560,634	501,381	461,392	(39,989)
E.C.I.A. Title I - Carryover	166,960	84,095	84,095	-
Title II	168,148	165,667	165,667	-
Title V	13,969	11,383	11,383	-
Safe & Drug Free	24,720	26,661	17,300	(9,361)
Other	83,000	29,000	29,589	589
Federal aid received through intermediate school districts	17,567	17,567	16,991	(576)
Total revenue from federal sources	1,034,998	835,754	786,417	(49,337)
Total revenue	16,402,075	16,180,931	16,195,210	14,279
Expenditures				
Instruction:				
Basic programs				
Elementary	3,046,790	3,107,319	3,205,492	(98,173)
Middle School	1,872,732	1,876,435	1,928,700	(52,265)
High School	2,353,586	2,406,235	2,491,732	(85,497)
Early Education	107,627	107,627	113,194	(5,567)
Total basic programs	7,380,735	7,497,616	7,739,118	(241,502)
Added needs				
Special Education	1,170,834	1,143,148	1,132,099	11,049
Compensatory education	1,116,047	956,361	953,556	2,805
Total added needs	2,286,881	2,099,509	2,085,655	13,854
Total instruction	9,667,616	9,597,125	9,824,773	(227,648)

BIG RAPIDS PUBLIC SCHOOLS

General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - Continued

For the Year Ended June 30, 2005

	Budget		Actual	Variance - Positive (Negative)
	Original	Amended		
Supporting services				
Pupil services				
Guidance services	\$ 471,440	\$ 477,674	\$ 461,290	\$ 16,384
Social work services	5,294	5,294	4,716	578
Other pupil services	34,056	34,056	30,537	3,519
Total pupil services	510,790	517,024	496,543	20,481
Instructional staff				
Improvement of instruction	140,854	215,965	194,934	21,031
Library	310,809	311,116	245,160	65,956
Direction of instruction	81,887	32,445	39,682	(7,237)
Other instructional services	24,867	24,867	3,993	20,874
Total instructional staff	558,417	584,393	483,769	100,624
General administration				
Board of Education	92,000	75,600	75,597	3
Executive administration	221,177	214,919	210,927	3,992
Fiscal services	326,560	322,028	306,031	15,997
Total general administration	639,737	612,547	592,555	19,992
School administration				
Elementary and Secondary Administration	1,215,394	1,205,535	1,187,141	18,394
Operation and maintenance	1,825,985	1,802,865	1,808,673	(5,808)
Security services	30,000	30,000	30,687	(687)
Pupil transportation	587,592	591,142	594,857	(3,715)
Information services	243,906	207,006	190,298	16,708
Other services	35,715	56,165	57,625	(1,460)
Payments to other schools	437,256	437,256	448,102	(10,846)
Total supporting services	6,084,792	6,043,933	5,890,250	153,683
Community services				
Community services	62,334	58,989	35,730	23,259
Total community services	62,334	58,989	35,730	23,259

BIG RAPIDS PUBLIC SCHOOLS

**General Fund
Schedule of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual - Continued**

For the Year Ended June 30, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>		
Capital outlay	\$ 100,000	\$ 24,000	\$ 21,382	\$ 2,618
Debt service				
Principal	-	95,896	95,634	262
Interest	170,000	50,000	49,257	743
Total debt service	170,000	145,896	144,891	1,005
Total expenditures	16,084,742	15,869,943	15,917,026	(47,083)
Revenue over (under) expenditures	317,333	310,988	278,184	(32,804)
Other financing sources (uses)				
Transfers out	(317,333)	(310,988)	(295,695)	15,293
Net changes in fund balance	-	-	(17,511)	(17,511)
Fund balance, beginning of year	1,642,134	1,642,134	1,642,134	-
Fund balance, end of year	\$ 1,642,134	\$ 1,642,134	\$ 1,624,623	\$ (17,511)

(Concluded)

BIG RAPIDS PUBLIC SCHOOLS

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2005

	Special Revenue	
	Athletics	Food Service
<u>ASSETS</u>		
Assets		
Cash and cash equivalents	\$ 45,217	\$ 156,327
Accounts receivable	-	13,233
Due from other governmental units	-	4,968
Inventory	-	17,797
<u>TOTAL ASSETS</u>	<u>\$ 45,217</u>	<u>\$ 192,325</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable	\$ 12,272	\$ 16,657
Accrued expenditures	5,213	3,333
Deferred revenue	-	8,807
Total liabilities	17,485	28,797
 Fund balances:		
Reserved for debt retirement	-	-
Unreserved, undesignated	27,732	163,528
Total fund balances	27,732	163,528
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 45,217</u>	<u>\$ 192,325</u>

Debt Service Funds

2000 Energy Debt	1999 Debt	1995 Debt	Durant Debt	Total
\$ -	\$ 525,878	\$ 6,232	\$ -	\$ 733,654
-	-	6,425	-	19,658
-	-	-	108,764	113,732
-	-	-	-	17,797
<u>\$ -</u>	<u>\$ 525,878</u>	<u>\$ 12,657</u>	<u>\$ 108,764</u>	<u>\$ 884,841</u>
\$ -	\$ (300)	\$ 1,000	\$ -	\$ 29,629
-	-	-	-	8,546
-	-	-	108,764	117,571
<u>-</u>	<u>(300)</u>	<u>1,000</u>	<u>108,764</u>	<u>155,746</u>
-	526,178	11,657	-	537,835
-	-	-	-	191,260
<u>-</u>	<u>526,178</u>	<u>11,657</u>	<u>-</u>	<u>729,095</u>
<u>\$ -</u>	<u>\$ 525,878</u>	<u>\$ 12,657</u>	<u>\$ 108,764</u>	<u>\$ 884,841</u>

BIG RAPIDS PUBLIC SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	<u>Special Revenue</u>	
	<u>Athletics</u>	<u>Food Service</u>
Revenue		
Local sources	\$ 59,797	\$ 469,638
State sources	-	38,487
Federal sources	-	534,708
	<u>59,797</u>	<u>1,042,833</u>
Total revenue		
Expenditures		
Current:		
Athletic activities	305,148	-
Food service	-	1,084,777
Debt service		
Principal	-	-
Interest	-	-
	<u>305,148</u>	<u>1,084,777</u>
Total expenditures		
Revenue over (under) expenditures	<u>(245,351)</u>	<u>(41,944)</u>
Other financing sources		
Transfers in	<u>237,000</u>	<u>-</u>
Net changes in fund balances	(8,351)	(41,944)
Fund balances, beginning of year	<u>36,083</u>	<u>205,472</u>
Fund balances, end of year	<u><u>\$ 27,732</u></u>	<u><u>\$ 163,528</u></u>

Debt Service Funds

2000 Energy Debt	1999 Debt	1995 Debt	Durant Debt	Total
\$ -	\$ 1,806,311	\$ 744,987	\$ -	\$ 3,080,733
-	-	-	-	38,487
-	-	-	-	534,708
-	1,806,311	744,987	-	3,653,928
-	-	-	-	305,148
-	-	-	-	1,084,777
50,000	746,767	895,846	-	1,692,613
8,695	1,129,336	76,084	-	1,214,115
58,695	1,876,103	971,930	-	4,296,653
(58,695)	(69,792)	(226,943)	-	(642,725)
58,695	-	-	-	295,695
-	(69,792)	(226,943)	-	(347,030)
-	595,970	238,600	-	1,076,125
\$ -	\$ 526,178	\$ 11,657	\$ -	\$ 729,095

BIG RAPIDS PUBLIC SCHOOLS

Athletics Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Budget		Actual	Variance - Positive (Negative)
	Original	Amended		
Revenues				
Local sources				
Gate receipts	\$ 57,500	\$ 57,500	\$ 59,797	\$ 2,297
Expenditures				
Supporting services	322,488	322,488	305,148	17,340
Revenue under expenditures	(264,988)	(264,988)	(245,351)	19,637
Other financing sources				
Transfers in	255,988	255,988	237,000	(18,988)
Net changes in fund balance	(9,000)	(9,000)	(8,351)	649
Fund balance, beginning of year	36,083	36,083	36,083	-
Fund balance, end of year	\$ 27,083	\$ 27,083	\$ 27,732	\$ 649

BIG RAPIDS PUBLIC SCHOOLS

Food Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Budget		Actual	Variance - Positive (Negative)
	Original	Amended		
Revenue				
Local				
Food sales	\$ 435,000	\$ 435,000	\$ 412,556	\$ (22,444)
Other	44,000	44,000	57,082	13,082
Total local sources	479,000	479,000	469,638	(9,362)
State sources				
State aid	9,200	9,200	38,487	29,287
Federal sources				
Federal aid received through the State	455,000	455,000	483,340	28,340
U.S.D.A. Donated Commodities	30,000	30,000	51,368	21,368
Total federal sources	485,000	485,000	534,708	49,708
Total revenue	973,200	973,200	1,042,833	69,633
Expenditures				
Supporting services	987,500	1,034,500	1,084,777	(50,277)
Net changes in fund balance	(14,300)	(61,300)	(41,944)	19,356
Fund balance, beginning of year	205,472	205,472	205,472	-
Fund balance, end of year	<u>\$ 191,172</u>	<u>\$ 144,172</u>	<u>\$ 163,528</u>	<u>\$ 19,356</u>

BIG RAPIDS PUBLIC SCHOOLS

Combining Balance Sheet Agency Funds

June 30, 2005

	<u>Student Activities</u>	<u>Section 125 Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$133,132</u>	<u>\$ 3,634</u>	<u>\$136,766</u>
Liabilities			
Due to student groups	\$133,132	\$ -	\$133,132
Withholdings payable	<u>-</u>	<u>3,634</u>	<u>3,634</u>
Total Liabilities	<u>\$133,132</u>	<u>\$ 3,634</u>	<u>\$136,766</u>

Big Rapids Public Schools

BIG RAPIDS, MICHIGAN

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

**BIG RAPIDS PUBLIC SCHOOLS
SINGLE AUDIT REPORT**

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OFFINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

October 31, 2005

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools, Big Rapids, Michigan, as of and for the year ended June 30, 2005, which collectively comprise Big Rapids Public Schools, basic financial statements and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Rapids Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Rapids Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 31, 2005

Board of Education
Big Rapids Public Schools
Big Rapids, Michigan

Compliance

We have audited the compliance of Big Rapids Public Schools, Big Rapids, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Big Rapids Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Big Rapids Public Schools' management. Our responsibility is to express an opinion on Big Rapids Public Schools compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Big Rapids Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Big Rapids Public Schools' compliance with those requirements.

In our opinion Big Rapids Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2005-1.

Internal Control Over Compliance

The management of Big Rapids Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Big Rapids Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Big Rapids Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated October 31, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Big Rapids Public Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".

BIG RAPIDS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2004	CURRENT YEAR CASH RECEIVED	EXPENDITURES (MEMO ONLY) YEAR ENDED		ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
						PRIOR YEAR(S)	JUNE 30, 2005	JUNE 30, 2005
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster:								
National School Lunch - breakfast	10.553	041970	\$ 10,683	\$ -	\$ 10,683	\$ -	\$ 10,683	\$ -
National School Lunch - breakfast	10.553	051970	67,240	-	67,240	-	67,240	-
			77,923	-	77,923	-	77,923	-
National S/L Section 4 All Lunches	10.555	041950	9,634	-	9,634	-	9,634	-
National S/L Section 4 All Lunches	10.555	051950	54,756	-	54,756	-	54,756	-
National S/L Section 11 Free & Reduced	10.555	041960	50,772	-	50,772	-	50,772	-
National S/L Section 11 Free & Reduced	10.555	051960	286,668	-	286,668	-	286,668	-
National S/L snacks	10.555	041980	535	-	535	-	535	-
National S/L snacks	10.555	051980	3,052	-	3,052	-	3,052	-
			405,417	-	405,417	-	405,417	-
Entitlement Commodities	10.550	2003-2004	45,194	(754)	-	32,895	754	-
Entitlement Commodities	10.550	2004-2005	51,434	-	47,357	-	38,551	(8,806)
Bonus Commodities	10.550	2004-2005	12,063	-	12,063	-	12,063	-
			108,691	(754)	59,420	32,895	51,368	(8,806)
Total U.S. Department of Agriculture			592,031	(754)	542,760	32,895	534,708	(8,806)
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I, Part A	84.010	041530-0405	84,095	-	82,295	-	84,095	1,800
Title I, Part A	84.010	041530-0304	452,963	107,142	107,142	452,963	-	-
Title I, Part A	84.010	051530-0405	501,381	-	350,776	-	461,392	110,616
			1,038,439	107,142	540,213	452,963	545,487	112,416
Drug Free Schools & Communities	84.186	052860-0405	15,873	-	6,512	-	6,512	-
Drug Free Schools & Communities	84.186	042860-0405	10,788	-	8,079	-	10,788	2,709
			26,661	-	14,591	-	17,300	2,709
Title V	84.298	050250-0405	11,383	-	11,383	-	11,383	-
			11,383	-	11,383	-	11,383	-
Technology Literacy Challenge Grant	84.318	054290-0405	12,346	-	-	-	12,346	12,346
			12,346	-	-	-	12,346	12,346
Improving Teacher Quality	84.367	050520-0405	153,321	-	101,191	-	153,321	52,130
Improving Teacher Quality	84.367	040520-0304	155,022	10,000	10,000	155,022	-	-
			308,343	10,000	111,191	155,022	153,321	52,130

BIG RAPIDS PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2004	CURRENT YEAR CASH RECEIVED	EXPENDITURES		ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
						(MEMO ONLY) PRIOR YEAR(S)	YEAR ENDED JUNE 30, 2005	JUNE 30, 2005
<i>Passed through Mecosta/Osceola ISD</i>								
IDEA	84.027		\$ 1,991	\$ -	\$ -	\$ -	\$ 1,991	\$ 1,991
IDEA	84.027		15,000	-	-	-	15,000	15,000
			16,991	-	-	-	16,991	16,991
Total U.S. Department of Education			1,414,163	117,142	677,378	607,985	756,828	196,592
U.S. Department of Interior								
<i>Passed through Newaygo County</i>								
National Forest	11.000		5,479	-	5,479	-	5,479	-
<i>Passed through Mecosta County</i>								
National Forest	11.000		115	-	115	-	115	-
Total U.S. Department of Health and Human Services			5,594	-	5,594	-	5,594	-
U.S. Department of Health and Human Services								
<i>Passed through Mecosta/Osceola ISD</i>								
Medicaid Outreach	93.778		23,995	-	15,657	-	23,995	8,338
Total U.S. Department of Health and Human Services			23,995	-	15,657	-	23,995	8,338
TOTAL			\$ 2,035,783	\$ 116,388	\$ 1,241,389	\$ 640,880	\$ 1,321,125	\$ 196,124

**BIG RAPIDS PUBLIC SCHOOLS
SINGLE AUDIT REPORT**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – RECEIPTS AND REVENUE

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

The Schedule of Expenditures of Federal Awards has been arranged to provide information on both actual cash received and the resultant revenue recognized. Accordingly, the effects of accruals of accounts receivable, deferred revenue and accounts payable items at both the beginning and end of the fiscal year have been reported.

NOTE 2 – GRANT EXPENDITURES

Expenditures are in agreement with amounts reported in the financial statements and the financial reports. The amounts reported on the Grants Section Auditors Report (7120) reconcile with this schedule.

Expenditures are reported on the Schedule of Expenditures of Federal Awards for all active awards. Accordingly, the Schedule presents expenditures for the current year grant which remains active beyond the end of the fiscal year because of the accounts receivable, deferred revenue, or accounts payable items.

BIG RAPIDS PUBLIC SCHOOLS, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified on basic financial statements

Internal controls over financial reporting:

Material weakness(es) identified?

_____ yes x no

Reportable condition(s) identified not considered to be material weaknesses?

_____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes x no

Reportable condition(s) identified not considered to be material weaknesses?

_____ yes x none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?

 x yes _____ no

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

84.010

Title I

Dollar threshold used to distinguish between Type A and Type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 x yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

BIG RAPIDS PUBLIC SCHOOLS, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2005-1

Internal Control

Finding:

The District was unaware of the Title I program requirement that Districts with allocations of more than \$500,000 of Title I funding are required to allocate at least 1% of this funding to parental involvement.

Effect:

The District did not make a specific allocation of Title I funding to parental involvement and was unable to identify the portion of Title I funding expended for parental involvement.

Recommendation/Comment:

The District should allocate at least 1% of Title I funding to parental involvement when the District's allocation of Title I fund is more than \$500,000.

Corrective Action Plan:

The District will allocate Title I funds to parental involvement as required by funding agreements.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2004-1

This finding is repeated as current year finding 2005-1.

Finding 2004-2

The District had Title I staff certify their time expended on Title I activities only once during the year. This finding was corrected for 2005.

Finding 2004-3

The District allocated the cost of staff to the Title I program which were not performing Title I activities. This finding was corrected for 2005.